



**PROVIDENCE HOUSING AUTHORITY
BOARD OF COMMISSIONERS
REGULAR MEETING: June 23, 2005**

PHA Conference Room

100 Broad Street

Providence, RI 02903

CALL TO ORDER

Chairman Anton called the meeting to order at 5:00 p.m.

ROLL CALL

The Executive Director called the roll:

Present

Dr. Thomas J. Anton
Paul Waldman
Raymond Murphy
Jaime Castillo
Dolores Cascella
Dorothy Waters
Paul Lewis

Absent

Balbina Young
Rita Williams
Ted Low

7 members were present and a quorum was declared.

RESIDENTS' COMMENTS

There were no resident comments.

APPROVAL OF MINUTES (March 24, 2005)

Chairman Anton called for approval of the March 24th meeting minutes. Commissioner Waldman motioned for approval. Commissioner Cascella seconded the motion. A vote was taken. There being no opposition, Chairman Anton declared the minutes approved.

CHAIRMAN'S REPORT

General Remarks

The chairman stated that the executive committee had met earlier in the day to discuss the issues on the evening's agenda. He mentioned that Commissioner Low, while at the earlier meeting, was unable to attend this evening's meeting on the advice of his physician. Ted recently had a medical procedure that requires him to not overdue it. He is doing well and sends his best to the board members. The chairman also let the board members know that Ted has been appointed as the Secretary of the Army's State Liaison with the equivalent rank of Lt. General.

Evaluation of Board Training and Development Retreat

The chairman stated how pleased he was with the recent board training and development retreat in April. He said the facility was great, the service was excellent, and the presentations were very informative. He further stated that the session with the developers was most helpful in understanding what opportunities we may have to create more affordable housing.

PHA History Book

The chairman stated that he and the executive director met with Paul Campbell, who has completed the final draft of the PHA's history. The meeting was held to determine what the final version of the book will look like. It was agreed that Paul will meet with publishers and write

introductions to each chapter or a forward to the book. Publication is scheduled for the fall of 2005.

Summer Board Schedule

The chairman stated that the board's summer schedule will be determined based on whether there was pressing business to consider. He and the executive director would meet monthly to determine if there was enough business to justify a meeting.

COMMITTEE REPORTS

- Budget & Finance Committee

Commissioner Castillo stated that the committee met and discussed the presentation of the Annual Operating Budget, which will be presented later in the board meeting.

- Asset Management/Capital Improvements Committee

Commissioner Cascella distributed a report they received at their committee meeting which outlined numerous capital improvement projects that are underway and issues facing the Facilities Management Depart. Topics discussed included: bed bug infestation, boiler inspections, energy audit, projects underway and projects in development. [See attached.]

- Resident Services Committee

Vice Chairman Waldman distributed a report outlining activities taking place under the jurisdiction of the committee, including resident association elections, resident activities, grants received and applied for, and fire prevention presentations. [See attached.]

EXECUTIVE DIRECTOR'S REPORT:

Monthly Management Report Highlights

The Executive Director told the commissioners that the April and May Monthly Management Reports were available in their board packets. Highlights of the report are: occupancy exceeds 97% overall, collections exceed our objectives, and turnovers of units are slightly behind schedule. The Commissioners were invited to review the reports and to call if they had any questions concerning any of the information contained in the reports.

Amendment to FY2005 Annual Operating Budget (Attached, if Applicable)

The Executive Director called on Joseph Braga, PHA Chief Financial Officer, to present the proposed amendment to the current year Annual Operating budget Performance Funding System subsidy calculation. Mr. Braga explained that due to the dramatic increases in utility costs to the PHA this year, we discussed the cost implications with our local HUD financial analyst. This is the first year where HUD will not perform a year-end adjustment for utilities that exceed the budgeted amount. Current regulations require PHAS to use three year's worth of actual utility cost to determine the budget amount for utilities for the current year. In year's past, if the PHA was under-budget for utilities, the PHA shared the savings with HUD. If the PHA was over-budget, HUD adjusted the budget to pay the overage. Mr. Braga mentioned that usually the old method worked. However, this year had some anomalies, which had a negative impact on our utility budget line item. Both Narragansett Bay Commission and the Providence Water Supply, which had been estimating some accounts for years, finally adjusted the billing. The result was some extraordinary costs to the PHA. HUD is allowing us to resubmit our original subsidy level to take into account these extraordinary utility costs. A resolution authorizing the submittal of the amended PFS calculation is listed below.

2006 Annual Operating Budget

The Executive Director explained to the board that he is proposing an interim budget for approval due to several factors: (1) the budget calls for the termination of approximately 20 staff members and has given the department directors some time to devise an alternative

termination plan. (2) This budget calls for co-pays for all employees, which have to be agreed to by the unions. If the don't accept the proposal, further cutbacks will be necessary.

The budget presented this evening is based on the following assumptions:

- Collecting 100% of budgeted rents
- Operating Subsidy funded at 89%
- Receiving "Other Income" of \$2.19 million
- A HUD determined inflation factor of 1.4%
- Occupancy level of 97%
- Utility rates increasing approximately 4%
- Staff cost-of-living wage adjustment of 0% at this time
- No increase in contract costs
- A reduction in staff positions totaling \$1.0 million
- Health care increase of 11.9%
- Instituting healthcare co-pay requirements at 10% (single coverage) and 20% (family coverage)
- No increases for materials and supplies
- Insurance increases of approximately 4%, except for Worker's Compensation, which is 25% lower than the previous fiscal year
- No subsequent HUD changes to the occupancy or subsidy level

This budget estimates **\$16,537,701** in operating income, of which **\$7,190,757** million is provided by the Department of Housing and Urban Development in Operating Subsidy. Operating Expenses are estimated to total **\$16,381,287**. It is estimated that we will close next fiscal year with a surplus of **\$156,414**.

Mr. O'Rourke stated that it's regrettable that staff has to be let go, but the current budget has to be reduced by approximately \$1.0 million. There are several reasons this has to take place this year: (1) We will, once again, have our subsidy financed at only 89% of our eligible amount. (2) In past years we have been able to draw from other accounts, such as, Section 8 administrative fee reserves. We are no longer able to do this with post-2004 fees. Fortunately for us, we are able, this year, to transfer the last of our pre-2004 Section 8 administrative fee reserves to the budget or the impact would have been greater. (3) Reductions in Capital Fund grants results in a smaller amount allocated to the Operating Budget. (Regulations allow up to 20% of the Capital Fund to be used for Operating Fund purposes.) All these changes taking place at the same time have had a negative impact on our Operating Budget. Mr. O'Rourke further stated that, unless the new operating subsidy system is approved with additional funds, next years will also be a difficult year because several "Other Income" funds we are relying on this year will not be available next year. The significant issue for this year's budget will be receiving approval to initiate co-pays for those employees who are currently not contributing. (As of three years ago, all new employees have been required to co-pay for their health insurance. Mr. O'Rourke estimated that initiating co-pays would reduce our healthcare costs by approximately \$340,000. Our costs with co-pays would still total \$1.5 million. He explained that co-pays would cost our employees \$42.20/month for single coverage and \$208.87/month for family coverage. The Executive Director stated he is not seeking employee cost of living increases unless HUD increases the subsidy level above 89%. He stated that we will not know about that until sometime in August. As remarkable as it seems, HUD doesn't know how much they have to give in subsidy until the final housing authority budget is submitted! Mr. O'Rourke explained the budget documents distributed in the board's packets. The HUD budget form (HUD-52564) provides a distribution of the budget categories he is currently suggesting. The budget categories and their percent of the aggregate budget are:

Aggregate Operating Income:

- | | | |
|--|---------------|---------------------------|
| ▪ Operating Receipts (not including HUD Subsidy) | \$9.3 million | 56.5% of aggregate income |
|--|---------------|---------------------------|

- HUD Subsidy (@ 89% of eligible amount) \$7.19 million 43.5%

Aggregate Operating Expenditures:

- Administrative Expenses \$2.7 million 24% (of total expenditures)
- Tenant Services Expenses \$0.063 million < 1%
- Utilities Expenses \$4.93 million 30%
- Ordinary Maintenance \$4.54 million 28%
- Protective Services Expenses \$0.243 million < 1%
- General Expenses \$3.854 million 23.5%

Mr. O'Rourke stated that once the department directors reviewed and commented and/or amended the termination list, and the unions had approved or rejected the healthcare co-pay proposal, he would submit a final budget to the board. At that point the Executive Director requested board to approve the interim budget resolution. (See below)

Discussion of HUD Operating Fund Rule

The Executive Director provided an overview of the current status of the proposed new operating subsidy system. He explained how several years ago the Congress ordered HUD to study the method in which housing authorities are funded. HUD hired consultants affiliated with the Harvard Graduate School. The director of the study, Jim Stockard, had years of experience with public housing agencies, including serving on the Cambridge Housing Authority's board of commissioners. He assembled a team that reviewed several aspects of public housing income and costs. As a result, a report was finalized and submitted to HUD for consideration approximately one and a half years ago. The report called for sweeping changes to the way public housing is operated. It recommended site-based management and budgeting and a funding formula that provided more subsidy to most housing authorities-primarily small and medium size authorities. Under that plan, the Providence HA would have received approximately \$2.3 million more annually in operating subsidy. HUD initially accepted the plan and proposed that Congress implement the proposed plan. At this point our professional associations challenged HUD over the federal requirements to negotiate certain rule changes. HUD established a committee of public housing representatives, tenants, OMB representatives, and HUD personnel. After several meeting a negotiated rule was arrived at with agreement from all the parties. Housing authorities didn't get approval for everything they wanted, but neither did HUD. At the conclusion of the negotiated rule making, it was believed that HUD would post for comment in the Federal Register the proposed rules negotiated by the group. Much to the surprise of everyone, the final rule posted for comment had none of the changes the housing authority industry negotiated. As a result of this surprising development, our industry has been inundating the General Counsel's Office (the office where comments on the rule are processed) with objections. The comment period ended in early June and HUD will publish their responses with the Final Rule in the near future. It remains to be seen how they react to the comments, which effectively accused HUD of reneging on the negotiations. Anyone familiar with the process knows that HUD did not make the final determination. It is widely believed that OMB reviewed the changes and realized it would cost more than they were willing to spend. Even under HUD's proposal the PHA gains, but not significantly and the increase are apportioned over several years. Mr. O'Rourke stated he would provide a full presentation to the board when the Final Rule is published.

Termination of Current Teamster's Pension (Creation of New Pension)

The Executive Director explained that staff members represented by the Teamsters Local #64 was placed under receivership. The Receiver for local #64 was Local #251. As a result of the Receivership, Local #251 offered our members the opportunity to participate in their pension plan. Local #64 had their own pension plan, which the PHA served as Plan Administrator. Several informational hearings were held for the membership and Teamster's Local #251 offered an attractive package to our employees. As a result the members voted to join Local #251's

plan. Because of the change the PHA has to formally terminate the existing plan. Members will have the opportunity to either rollover their existing accounts to other private plans or cash them out. The PHA will stop making payments to the existing plan as of July 1st. A resolution authorizing the Executive Director to do this follows.

Development Status

- Williams Woods Place
After many years, all obstacles appear to be resolved and we hope to have a groundbreaking sometime this summer.

RESOLUTION(S)

Resolution #4133: Authorizing Executive Director to Terminate Existing Teamsters Pension Plan for New Plan

Resolution #4133 asks the Board of Commissioners to authorize the Executive Director, as Plan Administrator to the Teamster's PHA Pension Plan, to terminate the existing plan for a new plan. Commissioner Murphy moved for approval with Commissioner Castillo seconding the motion. After some discussion, a vote was taken. There being no opposition, Chairman Anton declared the resolution passed. [See attached]

Resolution #4134: Authorizing the Executive Director to submit a revision to the FY 2005 Annual Operating Budget Performance Funding System subsidy calculation.

After discussion (see above) of the issue, Commissioner Cascella moved approval of the resolution. Commissioner Waters seconded. The chairman called for the vote. There being no opposition, the resolution passed. [See attached.]

Voice Vote Resolution (Interim FY2006 Annual Operating Budget)

The Executive Director requested a resolution of approval for the Interim FY2006 Operating Budget. Commissioner Lewis moved approval, seconded by Commissioner Waldman. The chairman called the vote and the voice vote resolution was passed unanimously.

OLD BUSINESS

There was no old business to discuss.

NEW BUSINESS

There was no new business not already on the evening's agenda to discuss.

ADJOURNMENT

There being no further business, Chairman Anton accepted a motion to adjourn from Commissioner Cascella which was seconded by Commissioner Waldman to adjourn the meeting at 6:00 p.m.

Submitted by:

Approved by:

Kimberly Dawley
Recording Secretary

Stephen J. O'Rourke
Executive Director